KATHMANDU

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KATHMANDU HOLDINGS LIMITED (ASX,NZX:KMD)

UPDATE ON IMPACT OF CHRISTCHURCH EARTHQUAKE

28 FEBRUARY 2011

This is a further update on the impact of the 22 February earthquake event in Christchurch on Kathmandu's operations in the city.

Head office and New Zealand Distribution Centre

These buildings are both located in the Heathcote area, at the base of the Port Hills, and were within 5 kms of the quake epicentre. Our Head Office has been inspected, all services to the building have been restored and it is now able to be occupied.

Most staff will return to work at this office from today, although a number will be working at remote locations or at our Melbourne office.

The New Zealand Distribution Centre requires some remedial work before staff are able to return to work, and this is expected to be completed today. All racking in the warehouse remains intact, and assuming access is possible from tomorrow, we would expect normal restocking of stores across our full New Zealand network to be operating by the end of the week.

Christchurch Stores

Tower Junction, our largest Christchurch store, re-opened on Friday. Our other Christchurch stores at Riccarton and in the central city (Cashel Street) were both damaged in the earthquake and they remain closed.

Peter Halkett, Kathmandu's Chief Executive Officer, said that he anticipated the Cashel Street store will remain closed for an extended period.

"Given the scale of damage to that area, and the comments to date from public authorities dealing with the recovery operation, unfortunately we are planning for a period of months rather than weeks before we can operate from our central city store".

"We have been unable to have our Cashel Street and Riccarton stores inspected so far, and we can't therefore comment specifically on the degree of damage they have sustained", Mr Halkett said.

All other stores throughout New Zealand and Australia remain open and apart from the delay in stock deliveries from the New Zealand Distribution Centre they have been unaffected by the earthquake.

Our People

Kathmandu has a number of employees who have, along with many other members of the Christchurch community, suffered significant personal loss as a result of this event. We wish to record again our sympathy to everyone affected by the earthquake, and our appreciation for all the efforts being made by our team to have all our Christchurch sites operational.

Insurances

Kathmandu has business interruption insurance that provides cover for this event. This covers loss of profits from the impact on overall trade, increased cost of working and claims recovery. At this point in time it is not possible to assess the overall recovery of losses, particularly given the uncertainty over the period that the two Christchurch stores detailed above may be closed. Currently the Company is not aware of any reason why its insurance would not cover all material costs or loss of profits in the current financial year that may be incurred as a result of the earthquake.

Sales Performance and Half Year Results

Since the previous market update provided on 19 January, up to and including the week ended yesterday (27 February) total group sales have been ahead of management expectations, with positive year-on-year same store sales growth being achieved for this period in both New Zealand and Australia.

Kathmandu continues to expect to release its half year result for the period ended 31 January 2011 on 17 March.

Peter Halkett
Chief Executive Officer

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